

Form ADV Part 2A - Brochure

HANSEATIC

MANAGEMENT SERVICES

5600 Wyoming NE, Suite 220

Albuquerque, NM 87109

505 828 2824

www.hanseaticgroup.com

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This brochure provides information about the qualifications and business practices of Hanseatic Management Services Inc. If you have any questions about the contents of this brochure, please contact us at 505.828.2824 or info@hanseaticgroup.com. The information in this brochure has not been approved or verified by the United States Securities and Exchange Commission or by any state securities authority.

Additional information about Hanseatic Management Services Inc. is also available on the SEC's website at www.adviserinfo.sec.gov.

2. MATERIAL CHANGES

There has been no material changes since the previous annual update of Hanseatic Management Services, Inc.'s Form ADV Part 2A filed on January 22, 2014.

Madrona Global Capital Management, LLC (“**Madrona**”), which was a related entity, has deregistered as an investment adviser and is no longer providing investment advisory services.

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4. ADVISORY BUSINESS

Hanseatic Management Services, Inc. (“**Hanseatic**”) was founded in August, 1995. Hanseatic is owned by two employees (Russell T. Sanderson owns 51.32%; Brian R. Stangel owns 48.68%). Hanseatic is a long-only equity manager that offers both discretionary and non-discretionary investment advisory services. Hanseatic uses a proprietary, mathematics-based, stock-screening analytics to construct diversified equity portfolios that dynamically adapt to changing market environments while actively managing risk. The robust investment approach is driven by a diverse investment team and has attracted top institutions as investors. (See Section 8, “Methods of Analysis, Investment Strategies, and Risk of Loss”)

Hanseatic offers the following domestic and international ADR equity products: Large Cap Institutional Equity, Large Cap High Quality Equity, All Cap Growth Equity, Mid Cap Equity, Growth & Income Equity, Latin America Equity, and Europe Equity.

Hanseatic tailors its services to the individual needs of its clients. It manages each portfolio in accordance with investment guidelines set by the client. Clients may impose restrictions on investing in certain securities or types of securities.

Hanseatic does not participate in wrap fee programs.

As of September 30, 2014 Hanseatic had \$222 million in assets under management. \$190 million were in discretionary accounts and \$32 million were in non-discretionary accounts.

5. FEES AND COMPENSATION

Hanseatic’s standard investment management fee schedule is listed in the table below. The actual fee schedule may be negotiated on a client-by-client basis and may differ from that below.

Accounts greater than \$1 million	Fee (BP's)
Domestic Equity Products	75
International ADR Products	95

The management fee is payable quarterly, in arrears, at the beginning of each calendar quarter based on the market value of the assets in the account on the last day of each of the preceding three calendar months. Asset value means the total account net asset value

as computed by the custodian including cash, accrued interest, taxes and accrued income from pending cash dividends, rights and warrants (“**Custodian NAV**”).

Example:

Period	Custodian NAV	Annual Rate	Calculation	Monthly Fee
Month 1	\$1,000,000.00	0.75%	$\$1,000,000.00 \times .0075/12$	\$625.00
Month 2	\$1,100,000.00	0.75%	$\$1,100,000.00 \times .0075/12$	\$687.50
Month 3	\$900,000.00	0.75%	$\$900,000.00 \times .0075/12$	\$562.50
Quarterly Total			Sum	\$1,875.00

Total Quarterly Management Fee Assessed = \$1,875.00

If a client contributes funds to or withdraws funds from the account on a date other than the first day of a month, the account is charged a pro-rated portion of the management fee for that calendar month with respect to such contribution or withdrawal based on the number of days the funds were in the account.

Example: Withdrawal of \$500,000 on 12/22/13

Period	Custodian NAV	Annual Rate	Calculation	Monthly Fee
10/31/13	\$1,000,000.00	0.75%	$\$1,000,000.00 \times .0075/12$	\$625.00
11/30/13	\$1,100,000.00	0.75%	$\$1,100,000.00 \times .0075/12$	\$687.50
12/21/13	\$1,200,000.00	0.75%	$\$1,200,000.00 \times .0075/12 \times 21/31$	\$508.06**
12/31/13	\$700,000.00	0.75%	$\$700,000.00 \times .0075/12 \times 10/31$	\$141.13**
			Sum of pro-rated monthly fee.	\$649.19**
Quarterly Total			Sum	\$1,961.69

**Pro-rated monthly amount.

Total Quarterly Management Fee Assessed = \$1,961.69

Payment of the management fee is made by one of two ways:

- i. The client gives prior authorization to the custodian that (a) authorizes Hanseatic to debit the account for the management fee up to a client-specified maximum

amount, based on the account size and management fee to be charged, and (b) authorizes the custodian to pay Hanseatic directly no sooner than five (5) business days after the account statement is available at the custodian. The client is responsible for understanding and verifying the amount debited through the client's monthly custodian statement.

- ii. Hanseatic sends a quarterly invoice by email to the client and the client pays the fee directly to Hanseatic. The client authorizes payment as per item 1 or 2 above if payment has not been received by Hanseatic within fifteen (15) days of the later of the transmission of the invoice and the availability of the account statement.

Hanseatic's clients may also pay custodial fees, administrative expenses, and brokerage and other transaction costs. (See Section 12, "Brokerage Practices") Hanseatic does not accept payment of fees in advance. Neither Hanseatic nor its employees accept any compensation for the sale of securities or other investment products.

6. PERFORMANCE-BASED FEES & SIDE-BY-SIDE MANAGEMENT

Hanseatic charges no performance-based fees on any of its accounts.

7. TYPES OF CLIENTS

Hanseatic provides investment advisory services primarily to institutional clients, including but not limited to, pension and profit sharing plans, and corporations. Some of these client relationships are established through an Investment Manager/Sub-Advisor contract, where Hanseatic is the Sub-Advisor. Hanseatic also provides investment advisory services to private clients.

Hanseatic's minimum account size is \$1,000,000; however, on a client-by-client basis, Hanseatic may accept a smaller account size. It is possible that the management fee for such accounts may be higher than the standard rates described in item 5.

Regardless of client type or minimum account size, each Hanseatic client must execute a written contract that governs Hanseatic's investment advisory relationship with the client.

8. METHODS OF ANALYSIS, INVESTMENT STRATEGIES, AND RISK OF LOSS

Hanseatic's investment approach is highly disciplined and robust. At the core of our process is a proprietary, mathematics-based protocol that generates a Q Score. Our investment approach is applicable and repeatable across market conditions, sectors and geographies, allowing us to efficiently and effectively construct and manage a mix of long-only equity products.

The key driver of our investment team's buy and sell strategy is a dynamic, proprietary protocol that generates a Q Score for every stock reflecting its performance potential.

Hanseatic's research and development process behind the Q Score spans over two decades. The resulting mathematics-based protocols allow us to evaluate a universe of stocks based on the benchmark our clients are interested in and assess each stock's strength. The Q Score is a dynamic identifier of strong market performers. Using the protocol, each stock is assigned a score from -9 to +9; the higher the score, the better reward/risk profile. Our investment team considers stocks with a positive Q Score as a potential buy and stocks with a Q Score of 0 are sold. Driven purely by mathematics-based analytics, this core part of our investment process is bias-free. The Q Score focuses our attention on the strongest individual stocks regardless of market conditions, geographies and sectors. With the Q Score established and universe of stocks narrowed significantly, our investment team then constructs a portfolio based on client requirements and a mix of drivers.

Investing in securities involves risk of loss that clients should be prepared to bear. Hanseatic makes no representation that its investment program will be successful. Its investment program is not intended as a complete investment program. Hanseatic's past performance is not a guarantee of future results.

Hanseatic's investment strategies are designed for investors with long term investment goals, as they involve substantial risks. The risks of Hanseatic's investment process include, but are not limited to, Hanseatic's skill in constructing portfolios and implementing the process, equity market risk, and market capitalization risk. In addition, highly rotational market environments, like the ones that existed from 2000 through June of 2014, and which may continue, can increase portfolio turnover. Hanseatic expects turnover to be somewhere between 75% and 125% per year during rotational market periods. During periods of more sustained and low volatility leadership, portfolio turnover will be lower. Hanseatic's sell disciplines are the single factor determining portfolio turnover. Frequent trading can affect investment performance, particularly through increased brokerage and other transaction costs and taxes.

9. DISCIPLINARY INFORMATION

Hanseatic and its management personnel are not subject to any legal or disciplinary event (including criminal or civil actions in domestic or foreign courts and administrative proceedings by state, federal or foreign regulatory authorities) that is material to any current or potential client's evaluation of Hanseatic's advisory business or to the integrity of Hanseatic's management. Nor have Hanseatic or its management personnel been subject to such events in the past.

10. OTHER FINANCIAL INDUSTRY ACTIVITIES AND AFFILIATIONS

Neither we nor any of the Hanseatic's management personnel have any relationships or arrangements that pose material conflicts of interest to the business of Hanseatic.

11. CODE OF ETHICS, PARTICIPATION OR INTEREST IN CLIENT TRANSACTIONS AND PERSONAL TRADING

Hanseatic has adopted a code of ethics, contained within its Corporate Policies & Procedures Manual (the "**Manual**"), which includes policies addressing business ethics, personal trading by employees, insider trading, ongoing ethics training, anti-money laundering, anti-fraud, professionalism in the workplace, and privacy and control of client information. A copy of the Hanseatic Manual is available upon request.

Hanseatic's personal trading policies apply to Hanseatic, its employees and their immediate family members (all "**Access Persons**"). Personal trading policies cover any purchases and sales of equities, options on equities, or options on any other publicly traded commodity or security, commodity futures contract, derivative contract and fixed income securities, not just to securities and other assets held in client portfolios managed by Hanseatic.

In the event any of Hanseatic's Access Persons has a material financial interest in a security that is in a client portfolio managed by Hanseatic, Hanseatic's board will determine on a case-by-case basis what action should be taken to avoid any conflict that might disadvantage a Hanseatic client.

It is Hanseatic's policy to conditionally allow personal trading accounts by Access Persons. If an Access Person wishes to trade in individual equities, the personal trading account must be held at a Hanseatic approved custodian and must be contained within one of Hanseatic's or its related entity's GIPS-defined composites to be traded alongside client accounts. For example, Hanseatic trades its own account which is comprised of an employee 401K account within the All Cap Growth Equity product. As described in Section 12, "Brokerage Practices", Hanseatic aggregates orders for execution on a pre-allocated pro rata basis to help ensure fair and equitable treatment across various accounts.

If an Access Person wishes to trade in futures, commodities, corporate bonds/treasuries, or exchange-traded funds ("**ETFs**"), trading is allowed without pre-approval in all except for the SPY ETF. Trading in the SPY ETF will require pre-approval by Hanseatic's Chief Compliance Officer ("**CCO**") or Chief Executive Officer ("**CEO**").

Hanseatic's Access Persons who engage in personal trading must provide Hanseatic with an initial holding report upon becoming an Access Person, monthly statements of their trading, and an annual holding report.

Adhering to the policies incorporated into Hanseatic's Manual is a condition of employment at Hanseatic. If a Hanseatic employee is found to be in breach of Hanseatic's policies, then Hanseatic's CCO or board will take action ranging from a verbal warning to dismissal, depending on the circumstances of the breach.

12. BROKERAGE PRACTICES

In selecting and suggesting broker-dealers ("**brokers**") for client transactions, Hanseatic considers (i) the reputation of the broker in the financial community; (ii) past business experience, if any, with the broker; (iii) the range and quality of ancillary services provided by the broker; (iv) the broker's ability to execute in a timely, efficient, and error-free manner; (v) the expertise of the broker's registered representatives; (vi) the broker's ability to execute transactions in all of the markets in which Hanseatic offers products; and (vii) any client-specific requirements, e.g., a ceiling on brokerage costs. Hanseatic determines the reasonableness of the broker's commissions based on (i) Hanseatic's assessment of the broker's performance in the context of the foregoing seven factors and (ii) whether the broker commissions are reasonable in comparison to the charges of comparable brokers.

Hanseatic accepts no "soft dollar" benefits (i.e., research or other products or services from brokers who execute client transactions) nor does it direct brokerage as a reward for client referrals.

Clients directing brokerage to a particular broker may incur higher commission and other transaction costs than clients who authorize Hanseatic to select the broker. For example, if a Hanseatic client directs Hanseatic to place its trades with a certain broker, Hanseatic might be limited in its ability to negotiate commissions or volume discounts.

In the interest of best execution and to help ensure a fair and equitable basis for allocating trades among various clients, where possible and permitted by the client, Hanseatic aggregates orders for execution. Trades within an order are typically pre-allocated pro rata among client accounts in accordance with client guidelines. If the order is not completely filled, executed trades are allocated pro rata in accordance with the pre-allocations. If more than one trade is executed, the trades are booked to client accounts at an average price and commission rate. When average price fills are not possible, brokers are rotated to ensure equal treatment of accounts.

13. REVIEW OF ACCOUNTS

All securities positions held by Hanseatic's clients are reviewed daily by at least two members of Hanseatic's portfolio team. Additionally, at least two team members must review each final decision prior to execution within any portfolio.

At least quarterly, Hanseatic furnishes to clients written statements of gains and/or losses, as well as any further analyses required by the client. At a minimum, each client receives an overview of performance and a basic attribution for the period relative to the specified benchmark and an outlook of the upcoming quarter.

14. CLIENT REFERRALS AND OTHER COMPENSATION

Hanseatic receives no compensation from non-clients for any activity related to its advisory business. Hanseatic does not pay third parties for client referrals.

15. CUSTODY

Hanseatic does not take physical custody nor act as a custodian of client funds or securities. Clients receive account statements directly from their qualified custodians. Hanseatic encourages clients to carefully review all custodian statements and to compare those statements with any statements received from Hanseatic.

Hanseatic may be deemed to have custody of client assets if it has the authority to withdraw its management fees from a client's account. Hanseatic follows the SEC's rules regarding this 'deemed' custody.

16. INVESTMENT DISCRETION

Hanseatic generally has discretionary authority to determine, without obtaining client consent, the securities to be bought or sold, the amount of such securities, the broker to be used, and the commission to be paid. This authority is given in the client contract. Any exception to this authority is dictated on a case-by-case basis per the client contract. In such cases, the client may be put at a disadvantage in terms of securities selection and execution of trades.

17. VOTING CLIENT SECURITIES

Hanseatic votes proxies only if required under the client contract. If required under the client contract, Hanseatic votes according to the client's proxy voting guidelines. Absent client guidelines, Hanseatic votes to maximize long-term shareholder value, to maintain shareholder control, and to generally approve routine corporate matters. Hanseatic evaluates some issues on a case-by-case basis, e.g., stock option and bonus plans, corporate combinations and divestments, shareholder proposals, and social/political proposals. Conflicts may arise with respect to voting, especially in cases where a client is

the issuer of the securities being voted. Hanseatic's board will monitor events to identify any material conflicts and, if such conflicts arise, determine what action, if any, should be taken. Hanseatic utilizes ProxyEdge as its proxy service. A copy of Hanseatic's proxy voting policies, including its current standing instructions with ProxyEdge, is available upon request. Specific proxy votes cast by Hanseatic are available upon request to clients who require Hanseatic to vote their securities.

18. FINANCIAL INFORMATION

Hanseatic does not require nor solicit prepayment of fees. Hanseatic has not been the subject of a bankruptcy petition at any time.

Form ADV Part 2B - Supplemental Brochure

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This brochure supplement provides information about Harry “Ed” Meihaus, Russell T. Sanderson, and Brian R. Stangel that supplements Hanseatic Management Services, Inc.’s brochure. You should have received a copy of that brochure. Please contact Amy Stangel/Chief Compliance Officer at 505 828 2824 or info@hanseaticgroup.com if you did not receive Hanseatic Management Services, Inc.’s brochure or if you have any questions about the contents of this supplement.

Additional information about Brian R. Stangel is available on the SEC’s website at www.adviserinfo.sec.gov.

BIOGRAPHIES

Harry “Ed” Meihaus (Born 1946) Chief Investment Officer (“**CIO**”)/Chairman, (BSME, University of Louisville; MBA, University of Memphis), joined Hanseatic (Hanseatic predecessor) in 1985. Mr. Meihaus is the architect of Hanseatic’s mathematical investment framework, primarily the set of disciplines that underlie Hanseatic’s equity products. Mr. Meihaus oversees the investment philosophy and process as well as research and development. Mr. Meihaus is lead portfolio team member for Hanseatic’s Large Cap and Large Cap High Quality product. Mr. Meihaus has no disciplinary history. Mr. Meihaus is supervised by Hanseatic’s board, whose members can be contacted at 505-828-2824.

Russell T. Sanderson (Born 1963) Chief Executive Officer (“**CEO**”)/Portfolio Manager, (BUS, University of New Mexico), joined Hanseatic (Hanseatic predecessor) in 1989. Mr. Sanderson provides day-to-day oversight of the business: all revenue generating, cost reduction, and risk mitigation objectives. Mr. Sanderson maintains the primary technical role in the oversight and application of the mathematical investment framework which is used to manage Hanseatic’s equity products. Over the years, Mr. Sanderson worked in all major aspects of the firm’s operations, focusing primarily on systems development and IT. Mr. Sanderson co-leads Hanseatic’s All Cap Growth, Mid Cap, Growth & Income, and International products. Mr. Sanderson has no disciplinary history. Mr. Sanderson is supervised by Hanseatic’s board, whose members can be contacted 505-828-2824.

Brian R. Stangel (Born 1970) Deputy Chief Investment Officer (“**Deputy CIO**”), (BA, University Wisconsin-Milwaukee, Series 65), joined Hanseatic (Hanseatic predecessor) in 1993. Mr. Stangel works closely with Mr. Meihaus as the Deputy CIO overseeing all composites, the investment process and strategic management. Mr. Stangel also works closely with marketing and client services. Over the years, Mr. Stangel developed knowledge and experience in each of the major operational and support areas of the business, including trading, compliance and performance accounting. Mr. Stangel co-leads Hanseatic's All Cap Growth, Mid Cap, Growth & Income, and International products. Mr. Stangel holds the Series 65 license. The Series 65 is a “criterion based” minimum competency examination. The exam is administered to professionals within the investment industry. Criterion based means that a minimum passing criterion is established. The Series 65, officially known as The Uniform Investment Adviser Law Exam, is designed to test an individual's knowledge and ability to advise clients in the area of investing and discuss general financial concepts. Mr. Stangel has no disciplinary history. Mr. Stangel is supervised by Hanseatic’s board, whose members can be contacted at 505-828-2824.